

Creating Your Financial Future

A Financial "Tip" Sheet

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Dollars & Sense

Your actions speak louder than words. You can't tell your children they should save money, then constantly spend, charge and go into debt yourself.

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Knowing How To Risk

A lot of people spend a lot of time worrying about the small stuff---a little extra yield on the savings account, a few dollars less on the mortgage payment, making conservative investments. If you spend all your time focusing on fractions of a point, you might lose sight of the big picture.

Think about how you handle risk. Would you rather work for a rock-solid company with a strong benefits package, a smaller start-up with great stock options or start your own business? The potential payoffs

escalate as you take on more risk, but so do the possibilities for disaster. The same is true for investments.

If you're young, you can dust yourself off and start again. For people over 40, the ability to absorb losses diminishes rapidly as retirement nears.

Do your homework. Risk without research is just another form of gambling. Before jumping into any kind of investment, it's vital to do the homework required to accurately evaluate the risk. Don't become a target for unethical financial advisers.

Example:

The long-term rate of return for big-company stocks has averaged 10% yearly over the past 70 years. Joe invests \$2000 per year in those stocks in a tax-deferred IRA. His friend Dexter buys super-safe Treasury bonds paying an average of 5%. They both started saving at age 25 and continued until age 65. Though the rate of return is double, the accumulation is quadruple: at age 65, Joe has \$1,006,513.00 while Dexter has just \$248,561.00

Was this worth a little bit of risk?